CHANNEL AREA LOGGERS LTD.
ANNUAL REPORT
1990 - 1991

92-03772/

CHANNEL AREA LOGGERS LTD.

BOARD OF DIRECTORS

Lester Everett - Chairperson
Private Entrepreneur - Chief - Berens River Indian Band

Edmond Berens
Member - Berens River Indian Band

Bill Hudson
Member - Berens River Indian Band

Henry A. McKay
Fisherman - Berens River

Henry G. McKay
Retired (L.T.D.) Airport Manager - Berens River

Jack Clarkson
Entrepreneur - Berens River

Brian Dick
Entrepreneur - Winnipeg

OFFICERS

Lester Everett
President

Gordon P. Trithart
Secretary-Treasurer

Danny Morin
Manager

HEAD OFFICE: Berens River, Manitoba

TABLE OF CONTENTS

		PAGE
I.	INTRODUCTION	1
II.	SYNOPSIS OF YEAR'S MAJOR EVENTS	2
III.	REVIEW OF RESULTS	4
	A. Financial Results	4
	B. Production	6
	C. Related Activities	7
	D. Training	7
	E. Other	8

APPENDIX - Audited Financial Statements
For Year Ended March 31, 1991

CHANNEL AREA LOGGERS LTD. - ANNUAL REPORT

APRIL 1, 1990 - MARCH 31, 1991

I. INTRODUCTION

Channel Area Loggers Ltd. (CALL) is a Crown Corporation. It was established in 1973 under the Manitoba Natural Resources Development Act. The principle objective of the corporation is to create an economically viable logging operation capable of creating employment and training opportunities for residents of Berens River and the surrounding communities.

CALL harvests spruce pulpwood in Forest Management Unit #38 located on the eastern side of Lake Winnipeg. The pulpwood is harvested in eight-foot lengths for sale under pre-arranged contract to Abitibi-Price Inc., Pine Falls, Man. Abitibi-Price Inc. takes possession of the pulpwood landed and scaled at the Pigeon Point barge landing which is 30 miles from the cutting area.

With the exception of 1983, the corporation has experienced serious operational losses since inception, the total of which is $2,790,870. Each year the province provides a subsidy to cover the annual operational loss. The following is a list of the profit/loss figures for the last 10 fiscal years.

Annual Profit/Loss

1991	($236,324)	plus projected windup costs of $309,908 *
1990	(179,023)	
1989	(177,512)	
1988	(207,541)	
1987	(8,531)	
1986	(17,901)	
1985	(235,635)	
1984	(148,949)	
1983	38,976	
1982	(17,262)	

II. SYNOPSIS OF THE YEAR'S MAJOR EVENTS

The Company obtained a reforestation site preparation contract valued at $74,520 and a $51,493 contract to plant 194,166 seedlings.

Directors J. McDonald and C. Klassen resigned in November, 1990 and February, 1991 (respectively).

* See Appendix Notes to the Financial Statements March 31, 1991 - Note 3 (Page 1)

After a comprehensive review of CALL's activities and achievements, over the past 10 years, the Board of Directors determined that it was in the best interest of the residents of Berens River that the activities of the crown corporation (CALL) be terminated.

At the March 21, 1991 meeting, the Board of Directors recommended:

- that the activities of the crown corporation CALL be terminated as of March 31, 1991;

- that the Abitibi-Price Inc./CALL pulpwood contract be divided among responsible local logging contractors;

- that a single director be appointed to wind up the affairs of the corporation;

- that the province provide assistance to facilitate the development of local residents as logging contractors and to continue the construction and maintenance of adequate resource access and haul routes in the area;

- At the end of the meeting, the Board of Directors resigned en masse.

The province accepted the resignation of the Board and proceeded to implement its recommendations. The windup process of CALL is ongoing.

III. REVIEW OF RESULTS

A. Financial Results

The appended financial statements for the fiscal year 1990-91 was audited by the Provincial Auditor. These statements reported an operational loss of $236,324 and a projected $309,908 in expenditures relating to windup costs.

The provision for projected windup costs include the writing down of capital assets, receivables, inventories and windup activities. *

Major factors contributing to the high operational deficit was a 46.6% decrease in production and an increase in the per cord costs of the activities listed in the comparative table below.

Comparative table illustrating per cord changes in major expenditure categories over the past three years:

Cost Category	1990-91	1989-90	1988-89
Cutters and Contract Wood	$44.71	$41.04	$41.10
Transportation - Wood Haul - Trucks	15.43	13.73	13.18
Company Equipment and Maintenance	3.36	1.76	3.67
Roads	10.19	7.38	12.14
Kitchen and Dorms	6.32	3.89	4.33
General and Administration	30.73	15.43	21.74
Supervision in Bush	1.11	.44	.81

* See Appendix Notes to the Financial Statements March 31, 1991 - Note 3 - (Page 1)

Operational Expenses

Increases in the following operational categories were consequences of the following factors:

- Cutters and contract wood: reflects a shift from a combined snipper/cut and skid to a total cut and skid operation. (Mechanical snipper inoperable).

- Transportation (Wood Haul): increased hauling distance led to corresponding per cord increase.

- Company equipment and maintenance: per cord increase reflects decrease in production.

- Roads - Per cord cost increase is a direct reflection of the decrease in production and a subsequent reduction in Abitibi's road funding.

- Kitchen and dorms: increase in per cord costs reflects decrease in production.

Administrative Expenses

Administrative expenses increased by $16,677 or six percent over the previous year. Interest and travel were the key sources of the increase.

- Bank interest - Increases resulted from the need to finance higher deficits ($22,208).

- Travel and accommodation: Increase in the frequency of directors travel led to a corresponding increase in travel and accommodation of costs ($5,087).

B. Production

The 1990-91 production was 46.6% less than the previous year.

The 1990-91 production was 7,917 cords below the previous year's output. This major decline is attributed to the absence of a snipper from the 1990-91 operations. Owing to a major breakdown of the snipper, the manager was unable to utilize it in his operations. The Board of Directors, after reviewing the estimated repair costs ($70,000) of the snipper, decided against repairing it.

The following comparative table illustrates the impact of the snipper on the annual output:

Annual Pulpwood Production in Cords

For the Years Ending March 31st

	1991	1990	1989	1988
Snipper	-	$ 6,590	$ 5,232	$ 3,934
Cut and Skid	$ 9,076	10,403	5,541	10,489
Total	$ 9,076	$16,993	$10,773	$14,423

C. Related Activities

In 1990-91, the company employed a total of 21 employees. Their total wages and benefits amounted to $255,009. This represents a decrease of $64,378 from the previous year's amount.

Payments to independent contractors for slashing, hauling and road construction amounted to $506,416 in 1990-91. This represents a decrease of $363,908 from the amount paid in 1989-90. The decreases are a direct result of the decline in production.

Approximately 30% of total wages were paid to residents of Berens River. The company remained the second largest employer in the Berens River area. Commercial fishing activities employ more local individuals than Channel Area Loggers Ltd.

The company maintained a commissary/grocery store for the benefit of the employees. This facility provided a variety of food products, confectionary items, and winter clothing. In addition, it served as a mail order office for skidder and power saw parts.

D. Training

During 1990-91, CALL hosted a forest fire training program for its employees.

E. Other

The Secretary to CALL's Board of Directors was provided by the provincial government. This position provided administrative and management support to the operation and facilitated liaison between CALL and pertinent government departments and agencies.

Manitoba

Office of the Provincial Auditor

CHANNEL AREA LOGGERS LTD.

Auditor's Report and Financial Statements
for the year ended March 31, 1991

CHANNEL AREA LOGGERS LTD.
BERENS RIVER, MANITOBA
R0B 0A0

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements, and other financial information in the annual report, are the responsibility of management and have been approved by the Board. The accompanying financial statements were prepared in accordance with the accounting principles set out in Note 2 to the financial statements.

Any financial information contained elsewhere in the annual report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Provincial Auditor and his staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The auditor's report outlines the scope of the auditor's examination and provides the audit opinion.

Percy V. Williams
Percy V. Williams
Director

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To The Legislative Assembly of Manitoba

We have audited the balance sheet of Channel Area Loggers Ltd. as at March 31, 1991 and the statement of revenues and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1991 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Winnipeg, Manitoba
October 25, 1991

F.H. Jackson, CA
Provincial Auditor

CHANNEL AREA LOGGERS LTD.

Balance Sheet
as at March 31, 1991
(with 1990 figures for comparison)

A S S E T S	1991	1990
CURRENT ASSETS:		
Accounts receivable (Note 4)	$ 159,388	$ 225,628
Subsidy receivable from the Government of the Province of Manitoba	546,232	156,535
Loan receivable (Note 5)	500	6,133
Inventories, at net realizable value	22,413	72,000
Prepaid expenses	-	319
Total current assets	728,533	460,615
FIXED ASSETS (Note 7)	66,242	264,997
TOTAL	$ 794,775	$ 725,612
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Excess of outstanding cheques over bank balance	$ 55,811	$ 129,904
Bank demand loan (Note 8)	325,000	115,000
Accounts payable (Note 9)	60,319	180,618
Provision for loss on wind-up of company (Note 3)	53,555	-
Total current liabilities	494,685	425,522
SHAREHOLDERS' EQUITY		
Capital stock (Note 10):		
Authorized: 35,000 common shares, maximum consideration not to exceed $350,000		
Issued: 30,009 shares	300,090	300,090
TOTAL	$ 794,775	$ 725,612

The notes are an integral part of the financial statements.

Approved by the Board:

Director_____

CHANNEL AREA LOGGERS LTD.

Statement of Revenues and Expenditures
for the year ended March 31, 1991
(with 1990 figures for comparison)

	1991	1990
REVENUES:		
Pulpwood sales	$ 727,141	$ 1,322,891
Commissary sales	106,319	171,605
Board charges	17,028	41,347
Miscellaneous	57,003	39,463
Reforestation	126,386	28,330
Gain on disposal of fixed assets	-	5,833
Total revenues	1,033,877	1,609,469
EXPENDITURES:		
Direct logging costs (Schedule 1)	822,906	1,378,549
General and administrative expenses (Schedule 2)	278,892	262,215
Commissary	73,065	123,298
Reforestation	95,338	24,430
Total expenditures	1,270,201	1,788,492
Deficiency of revenues over expenditures before extraordinary item	(236,324)	(179,023)
EXTRAORDINARY ITEM (Note 3)	(309,908)	-
Deficiency of revenues over expenditures before operating assistance from the Government of the Province of Manitoba	(546,232)	(179,023)
Operating assistance from the Government of the Province of Manitoba	546,232	179,023
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -

The notes are an integral part of the financial statements.

CHANNEL AREA LOGGERS LTD.

Notes to the Financial Statements
March 31, 1991

1. Nature of Operations

Channel Area Loggers Ltd. was established in 1973 under The Manitoba Natural Resources Development Act for the purpose of establishing an economically viable logging operation creating employment and training opportunities for residents of Berens River and surrounding communities. Effective March 31, 1991, the Company ceased operations and dissolution proceedings commenced.

2. Significant Accounting Policies

a) The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for administrative expenses which are provided at no charge by the Government of the Province of Manitoba. These amounts (note 11) are not reflected in the financial statements.

b) Pulpwood sales are recognized as revenue at the point of delivery to the landing and are based on quantities scaled in accordance with the terms of the sales contract.

c) Depreciation of fixed assets is provided on a straight line basis at rates to amortize the cost over the estimated useful life of each asset. The annual depreciation rates are 10% for buildings and trailers and 10 to 25% for machinery and equipment. Because the Company ceased operations effective March 31, 1991, fixed assets have been written down to their estimated net realizable value, as per note 3.

3. Extraordinary Item

Certain of the assets of the Company have been written down, and a provision has been made for certain receivables and for the costs of winding up the operations, as follows:

Buildings and trailers	$ 13,410
Machinery and equipment	20,103
Road construction	181,329
Inventories	24,169
Accounts receivable	11,986
Loan receivable	5,356
Estimated costs of windup	53,555
	$ 309,908

CHANNEL AREA LOGGERS LTD.

Notes to the Financial Statements
March 31, 1991

4. Accounts receivable

	Amount Receivable	Provision for Uncollectible Amounts	Net 1991	Net 1990
Trade	$ 159,888	$ 2,000	$ 157,888	$ 204,035
Govt. of Manitoba	-	-	-	7
Contractors	11,486	9,986	1,500	21,586
	$ 171,374	$ 11,986	$ 159,388	$ 225,628

5. Loan receivable

The loan receivable represents the net amount receivable ($5,856 less provision for uncollectible amount of $5,356) of $500 (1990 - $6,133) from a sub-contractor for the purchase of equipment.

6. Inventories

The major categories of inventory are:

	1991	1990
Commissary supplies	$ 1,473	$ 2,764
Parts and supplies	4,698	15,983
Gasoline, diesel fuel and oil	16,166	45,503
Kitchen supplies	76	7,750
	$ 22,413	$ 72,000

CHANNEL AREA LOGGERS LTD.

Notes to the Financial Statements
March 31, 1991

7. Fixed Assets

	Buildings and Trailers	Machinery and Equipment	Road Construction	Total
Cost	$ 319,608	$ 460,543	$ 181,329	$ 961,480
Funding by the Govt. of Canada and the Govt. of the Province of Man.	(67,298)	(160,090)	-	(227,388)
Net Cost	252,310	300,453	181,329	734,092
Accumulated depreciation	(215,780)	(237,228)	-	(453,008)
Amount of write-down to net realizable value	(13,410)	(20,103)	(181,329)	(214,842)
Net book value - 1991	$ 23,120	$ 43,122	$ -	$ 66,242
Net book value - 1990	$ 49,738	$ 93,293	$ 121,966	$ 264,997

8. Bank Demand Loan

The bank demand loan is guaranteed by the Government of the Province of Manitoba to a maximum of $500,000 including unpaid interest.

9. Accounts Payable

The major categories of accounts payable are:

	1991	1990
Trade	$ 58,242	$ 137,886
Wage deductions	770	35,387
Employee	130	4,800
Government of the Province of Manitoba	1,177	2,545
	$ 60,319	$ 180,618

10. Capital Stock

The issued shares are held by the Government of the Province of Manitoba except for nine shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba. Subsequent to March 31, 1991, the nine shares previously held in trust by the outgoing directors were transferred to the single director, an employee of the Department of Northern Affairs, responsible for the dissolution of the Company.

11. Services Provided by the Government of the Province of Manitoba

The Government of the Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the Company. The cost of these services is approximately $42,000 (1990 - $43,300).

12. Economic Dependence

The Company is economically dependent on the Government of the Province of Manitoba.

13. Imputed Interest Cost Information

The annual borrowing cost to the Government in respect of its 1990 debt for the average investment of $300,000 in share capital at the weighted average rate of 10.6% (1989 - 10.05%) is $31,800 (1989 -$30,200). This cost is not reflected in these financial statements.

SCHEDULE 1

CHANNEL AREA LOGGERS LTD.

Schedule of Direct Logging Costs
for the year ended March 31, 1991
(with 1990 figures for comparison)

	1991	1990
Contract wood purchases	$ 273,891	$ 511,680
Contract hauling to landing	140,038	233,246
Cutters wages and fringe benefits	131,877	185,737
Road construction and maintenance, net	92,487	125,396
Small wood cullage	6,080	111,731
Kitchen and dormitory	57,342	66,060
Timber dues	23,890	44,797
Depreciation	32,513	32,798
Repairs and maintenance	30,536	29,820
Personnel transport	12,788	15,068
Freight and fuel movement	7,863	11,268
Supervision	10,092	7,382
Forwarding to roadside	3,486	3,259
Sundry	23	307
TOTAL	$ 822,906	$ 1,378,549

CHANNEL AREA LOGGERS LTD.

Schedule of General and Administrative Expenses
for the year ended March 31, 1991
(with 1990 figures for comparison)

	1991	1990
Salaries, wages and fringe benefits	$ 113,040	$ 126,268
Legal, audit and accounting	34,008	33,239
Depreciation	21,896	28,581
Insurance	23,306	17,966
Interest and service charges	39,563	17,355
Taxes, licences and fees	8,285	11,024
Travel and accommodation	13,095	8,008
Communications	5,791	6,157
Mobile home	6,144	4,724
Office supplies and utilities	3,845	4,087
Directors' fees	4,850	3,600
Miscellaneous	1,031	1,346
Bad debts	4,038	(140)
TOTAL	$ 278,892	$ 262,215